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MMARS Policy: Internal Controls

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Internal Control Guidance for Departments in Transition

Considerations

The Office of the Comptroller (CTR) provides additional guidance on internal controls to departments in transition. This policy applies to departments in all branches of state government, unless otherwise provided by law.

Policy

Whenever a major reorganization occurs, department internal controls must be evaluated and updated. Reorganization poses risks to departments; important program goals and objectives can be compromised. There are also increased risks of noncompliance with state finance law, waste and fraud. Consequently, the need for reviewing internal controls is especially urgent when a significant change occurs. Changes as the result of the annual General Appropriation Act can provide a particular challenge to reorganized departments.

To ensure a smooth transition, departments must monitor the changes being made to make certain that these are handled correctly. A good starting point for management is to evaluate the existing internal controls within the department or departments. Departments in transition should follow the procedures identified in the [Internal Control Guide](#)

Requirements

[The Internal Control Act: Chapter 647 of the Acts of 1989](#), clearly states minimum requirements for internal controls at the department level:

- All functional areas of a Department must have written documentation of its policies and procedures.

- An Internal Control Officer (ICO), who reports directly to the department head, should be designated by the department head as responsible for the department's internal controls.
- Internal controls should be reviewed and updated on at least an annual basis. Departments must review changes to operations and incorporate these changes into a revised plan.

Any unaccounted for variances, losses, shortages, or thefts of funds or property must be reported to the Office of the State Auditor (SAO).

- All departments in the Commonwealth are required to have documented internal controls.

Internal Controls

Departments in transition face specific risks such as erroneous spending, operational failures, and violations of law.

Information Sources

- Related Procedure – Internal Control Procedures for Departments in Transition
- Related Policies – State Finance Law
- Legal Authority – [M.G.L. c.29](#); [M.G.L. c.7A](#); [The Internal Control Act: Chapter 647 of the Acts of 1989](#)
- Attachments – [Internal Control Guide](#)
- Links – None
- Contacts – [CTR Help Desk](#)

ⁱ September 21, 2007: Removed references to *Internal Control Guides Volumes I and II*. Added reference to new, consolidated *Internal Control Guide* and updated hyperlinks.